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C O N F I D E N T I A L SECTION 01 OF 02 BERLIN 001693

SIPDIS  
EEB/ESC/TFS FOR COULTER, NEA/IR FOR GROEN

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TAGS: ENRG EPET ETTC PREL IR GM

SUBJECT: GERMAN LAW LIMITS ABILITY TO STOP OIL AND GAS  
TECHNOLOGY EXPORTS TO IRAN

REF: A. STATE 127601  
B. BERLIN 1050

Classified By: EMIN Robert L. Pollard, for reaons 1.4(b) and (d)

¶1. (C) Summary: Senior German government officials, have all expressed support for the principle that Iran should not receive liquefied natural gas (LNG) technology from Germany, although, legally, their hands are tied in seeking legal action against German companies. German officials once again underlined their strong preference for multilateral action. Officials indicated a willingness to use moral suasion in exceptional cases; however, they are skeptical that such efforts are effective against SME companies. End Summary.

¶2. EMIN and Emboffs met with Viktor Elbling, MFA Deputy Director General; Karl Wendling, Ministry of Economics Deputy Director General; and Andreas Nicolin, Federal Chancellery Chief of Foreign Trade Policy to deliver points in Ref A. As is usually the case, the Econ Ministry stuck to a strict legal interpretation while the Chancellery took a more nuanced position.

¶3. (C) On December 5, MFA Deputy Director General Viktor Elbling voiced his awareness that LNG deals with Iran are under discussion within the EU and said that Germany understood the scope of the issue. However, he also noted that German laws severely limit the steps Germany can take against German companies dealing in non-proscribed goods and services. Elbling claimed he was not familiar with problems in connection with Linde AG and emphasized the need for more information. (Note: Post subsequently supplied additional information from EEB/ESC to MFA and Econ Ministry contacts.)

¶4. (C) Elbling said once Germany has analyzed this information they can re-evaluate the situation and could consider approaching Linde. He said Germany may need to consider informal pressure (moral suasion) on larger firms, as German national law may not permit legal sanctions against these companies. However, he emphasized that moral suasion is a special tool and cannot be used all the time. This approach is not likely to be an effective tool to sway SME,s (&Mittlestand8) companies.

¶5. (C) Elbling differentiated between high technology LNG projects and lower technology gas-to-liquid (GTL) projects, such as used by Steiner-Prematechnik-Gastec's firm (REF B). (Note: MFA Iran Desk Chief Andreas Krueger echoed this position to Emboffs in a separate meeting.) He clarified that true LNG projects produce gas requiring special handling for use, while GTL projects make synthetic petroleum products similar to those created from crude oil. Elbing indicated Germany is more concerned with denying Iran LNG technology than its lower-tech relative, GTL.

¶6. (C) On December 8, Ministry of Economics Deputy Director General Karl Wendling gave a similar response. Specifically, he claimed Germany cannot impose unilateral, legally-binding measures on the export of civil goods (those with no dual-use concerns), asserting that only the EU has this authority. The EU, Wendling said, currently has no laws against providing LNG technology to Iran. The Economics Ministry has found no evidence that the Linde project has dual use implications. They recognize that Linde's effort provides expertise that is difficult to replace, but expressed concern that Japan and possibly Switzerland might fill any void created by Linde's withdrawal. Wendling asked if Japan and Switzerland are in any way committed to constraining LNG technology or equipment transfer to Iran.

¶7. (C) Wendling also drew a distinction between the sale of goods and the provision of technical services. The latter, he stated, is even more difficult to control because German law does not cover the provision of technical services at all, and only the EU could take steps to limit the provision of such services. Wendling's staff subsequently advised Econoff that Linde has submitted no projects to Germany's export control office (BAFA) for review to date.

¶8. (C) On December 16, the Chancellery's Chief of Foreign Trade Policy, Andreas Nicolin stated that he was unaware of any specific project where Linde was providing Iran with LNG technology or services. Similarly, he was unaware of BASF or Sud-Chemie providing services or parts to Iran's energy sector. He did state, however, that the German Government could discuss this topic with involved parties, i.e., to discourage business activity in the LNG sector, in specific

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and identifiable cases. (Elbling and Wendling had made similar statements and placed the responsibility for such actions on the Chancellery.) Nicolin further acknowledged that Chancellor Merkel herself had privately discouraged large German firms from providing LNG technology to Iran Koenig